PIVOTAL DIVERSIFIED FUND

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ARSN 653 359 445

FINANCIAL REPORT
FOR THE PERIOD ENDED
30 JUNE 2022

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RESPONSIBLE ENTITY REPORT
FOR THE PERIOD ENDED 30 JUNE 2022

Table of Contents

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ARSN 653 359 445
RESPONSIBLE ENTITY REPORT
FOR THE PERIOD ENDED 30 JUNE 2022

The Directors of the Responsible Entity, Vasco Responsible Entity Services Limited present their report on the Pivotal Diversified Fund ('the Fund') for the period from 13 September 2021 and ending 30 June 2022. In order to comply with the provisions of the *Corporations Act 2001* the Directors report is as follows:

1. Directors

The names of Directors of the Responsible Entity in office at any time during the financial period were:

Craig Mathew Dunstan

Jonathan William Martin

Reginald Bancroft

2. Principal Activities

The Fund aims to generate the Target Return (13%, pre-tax and after fees and expenses, per annum on a rolling 5-year basis) by investing in Global Capital Property Fund Limited, UGC Global Alpha Fund, UGC Platinum Alpha Fund, UGC Private Equity Fund and third-party investments selected by the Investment Manager.

This product is likely to be appropriate for consumers seeking capital growth who will hold this product as a satellite/small allocation and looking for a diversified investment holding. The consumer will typically have a medium to long term investment horizon, a higher tolerance for risks associated with equity investments and needs at least monthly access to capital (the consumer would invest no more than 25% of their total investible assets in this product). It suits investors with a growth investment profile or looking to fill the growth component of a balanced portfolio, which is complimented with more defensive investments.

Global Capital Property Fund Limited (GCPF) is an investment company incorporated in 2019 offering long term growth through investments in residential and commercial real estate development projects across Australia.

The UGC Global Alpha Fund is a wholesale hedge fund offering a total return focused, concentrated, long term capital growth and tactical swing trading investment approach.

The UGC Platinum Alpha Fund is a wholesale global equity fund offering a total return focused, concentrated, capital growth biased investment approach with a specific focus on medium to long term investments in largely growth focused listed shares across the world's major investment markets.

The UGC Private Equity Fund is a wholesale fund offering a total return focused, concentrated, long term capital growth focused investment approach.

The Investment Manager, in its absolute discretion, will have the ability to invest in additional unrelated third-party investment funds, companies, trusts or other investment vehicles, as it sees fit.

It is expected that all the underlying investments of the Fund will be managed by related entities of the Investment Manager. It is expected that any transactions between the Fund and the underlying investments will be on arm's length terms.

The Fund was established on 13 September 2021 and issued the first units on the commencement date of 2 March 2022.

3. Operating Results

The operating loss of the Fund for the financial period ending 30 June 2022 was $22,009.

4. Review of Operations

During the period, the Fund has issued 1,817,468 units, of which nil units have resulted from the reinvestment of distributions, and no units have been redeemed.

The Fund invested in the following investments:

Asset	Value ($)	Percentage of portfolio	Target Ratio
UGC Global Alpha Fund	255,705	38%	30% (10%-35%)
UGC Platinum Alpha Fund	364,500	54%	40% (10%-50%)
GCPF Ltd Shares	-	-	10% (10%-35%)
UGC Private Equity Fund	-	-	17.5% (0%-35%)
Third-Party Investments	-	-	0% (0%-40%)
Cash	52,958	8%	2.5% (2%-2.5%)
Total Investment Assets	**673,163**	**100%**	

The Investment Manager has agreed to reimburse the difference between the investment manager fee and the other Fund expenses, and use the investment manager fee to cover part of the Fund expenses. During the financial period, the Custodian of the Fund is Perpetual Corporate Trust Limited.

5. Review of Performance

The Investment Manager is targeting an annual rate of return to Investors of 13%, pretax and net of all fees and expenses, over a rolling 5-year period. The performance for the period from March to June 2022 is shown as follow:

Unit Class	**2022 %**
Ordinary units	-0.91%

6. Unit Redemption Prices

Unit redemption prices (quoted ex-distribution and exclusive of exit fees) are shown as follows:

	2022 $
At 30 June	0.99
High during period	1.00
Low during period	0.99

The availability and timing of redemptions is subject to the terms of the Fund's Constitution.

7. Distributions Paid or Recommended

In accordance with the Product Disclosure Statement of the Fund dated 22 December 2021, distributions, if any, should be paid to Investors within 60 Business days of the end of each financial period following the finalisation of the Fund's annual accounts. Returns payable to investors are expected to be paid in accordance with the Product Disclosure Statement.

No distributions were declared for the period to 30 June 2022.

8. Applications Held

As at 30 June 2022, the value of pending applications was $1,307,162

9. Redemption Arrangements

As detailed in the Fund's Constitution, the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unitholders.

10. Options

No options over issued units or interests in the Fund were granted during or since the end of the financial period and there were no options outstanding at the date of this report. The Directors and executives of the Responsible Entity hold no options over interests in the Fund.

No units were redeemed by the Responsible Entity during the reporting period.

11. Proceedings on Behalf of the Fund

No person has applied for leave of court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings. The Fund was not a party to any such proceedings during the period.

12. Value of Scheme Assets

The Gross Asset Value (GAV) of the Fund's assets at the end of the reporting period was $1,821,338. The Net Asset Value (NAV) at the end of the reporting period was $1,795,459

13. Significant Changes in State of Affairs

There have been no other significant changes to the state of affairs of the Fund during the financial period.

14. After Balance Date Events

No other matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years other than as disclosed in this report.

15. Future Developments

There are no future developments to report on which are not otherwise disclosed in this report.

16. Indemnifying Officers or Auditor

During or since the end of the financial period, the Responsible Entity has paid insurance premiums to insure each of the aforementioned Directors as well as officers of the Responsible Entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Responsible Entity, other than conduct involving a willful breach of duty in relation to the Responsible Entity.

17. Fees, Commissions or Other Charges by the Responsible Entity, Investment Manager or Related Parties

Investment management fees of $4,660 (plus GST) were paid by the Fund to the Investment Manager for the period.

No Performance fees were paid or payable by the Fund to the Investment Manager.

Fees of $6,613 (plus GST) were paid by the Fund to the Administration Manager.

Fees of $50,000 (plus GST) were paid by the Fund to the Responsible Entity.

18. Units held by the Responsible Entity, Investment Manager or Related Parties

As at 30 June 2022, the Responsible Entity or Investment Manager and their related parties held no units in the Fund.

19. Interests in the Fund

The movement of units on issue in the Fund during the period is set out in Note 12 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the Statement of Financial Position and derived using the basis set out in Note 1 to the financial statements.

20. Environmental Issues

The operations of the Fund are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

21. Lead auditor's declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on the following page and forms part of the Responsible Entity's report for the period ended 30 June 2022.

Signed in accordance with a resolution of the Board of Directors of Vasco Responsible Entity Services Limited by:

Craig Dunstan

Craig Dunstan

Director

Date: 26 October 2022

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Vasco Responsible Entity Services Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Pivotal Diversified Fund for the period ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 26 October 2022

PIVOTAL DIVERSIFIED FUND
ARSN 653 359 445
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2022

	Notes	2022 $
Total revenue and other income		**-**
Expenses		
Investment manager fees	2	4,660
Administration fees	3	6,613
Responsible Entity fees	3	50,000
Custodian fees	4	5,833
Remuneration of auditors	5	12,000
Reimbursement from Investment Manager		(85,916)
Other expenses	6	11,524
Fair value loss on investments		17,295
Total expenses		**22,009**
Operating (loss) attributed to unitholders		**(22,009)**
Other comprehensive income		-
Total comprehensive income / (loss) for the period attributable to unitholders net of distributions		**(22,009)**

PIVOTAL DIVERSIFIED FUND
ARSN 653 359 445
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 $
Current assets		
Cash and cash equivalents	7 (a)	52,958
Investment receivable	7 (b)	1,131,274
RITC receivable	7 (c)	5,031
Reimbursement from Investment Manager	8	11,870
Total current assets		**1,201,133**
Non-current assets		
Investment assets	9	620,205
Total non-current assets		**620,205**
Total assets		**1,821,338**
Liabilities		
Fees payable	10	23,103
Other expenses payable	11	2,776
Total liabilities		**25,879**
Net assets		**1,795,459**
Represented by:		
Issued units	12 (a)	1,817,468
Undistributed loss attributable to unitholders	12 (b)	(22,009)
Net assets attributable to unitholders		**1,795,459**

PIVOTAL DIVERSIFIED FUND
ARSN 653 359 445
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or the end of the financial period.

PIVOTAL DIVERSIFIED FUND
ARSN 653 359 445
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2022

	Notes	2022 $
Cash flows from operating activities		
Payments to suppliers		72,954
Reimbursement from Investment Manager		(85,916)
Other expense		8,698
Net cash provided by operating activities	13	**4,264**
Cash flows from investing activities		
Payment for the purchase of investment assets		(1,768,774)
Net cash (used in) investing activities		**(1,768,774)**
Cash flows from financing activities		
Proceeds from issue of units		1,817,468
Net cash provided by financing activities		**1,817,468**
Net increase in cash and cash equivalents		52,958
Cash and cash equivalents at the beginning of period		-
Cash and cash equivalents at the end of period	7	**52,958**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the Pivotal Diversified Fund ('the Fund'). The Fund is a retail registered managed investment scheme established and domiciled in Australia. The Responsible Entity of the Fund is Vasco Responsible Entity Services Limited, and Australian Funds Management Group Pty Ltd is appointed as the Investment Manager of the Fund.

Basis of Preparation

(a) Statement of compliance

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report of the Fund complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Pivotal Diversified Fund is a for-profit entity for the purpose of preparing the financial statements.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

Investment assets are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

(d) Critical judgements and significant accounting estimates

The preparation of financial statements requires the directors of the Responsible Entity to undertake a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Fair value measurement

When an asset is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset assuming they act in their economic best interests.

The fair value of assets in an inactive or unquoted market are determined by the use of valuation techniques which require significant judgement. Refer to Note 9 for further details.

(e) New, revised or amending Accounting Standards and Interpretations adopted

The Fund has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

(a) Financial instruments

Financial assets and financial liabilities are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

(i) Measurement

Financial assets and financial liabilities are held at fair value through profit or loss.

Under this approach, financial assets and financial liabilities are generally measured initially at fair value excluding any transaction costs that are directly attributable to acquisition.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices on the reporting date, while financial liabilities are priced at current offer prices.

Fair value in an inactive or unquoted market

The fair values of financial assets and liabilities that are not traded in an active market are determined through the valuation policy identified in the Information Memorandum for the Fund.

(ii) De-recognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with AASB 9. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(c) Trade Receivables

Trade receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

(d) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(e) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Fund that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST, and accruals are shown exclusive of GST.

(g) Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(h) Issued units

The Fund issues units which have a limited life under the Fund's Constitution and are classified as a liability in accordance with AASB 132 Financial Instruments: Presentation.

Should the terms or conditions of the units change such that they no longer comply with the criteria for classification as equity in the revised AASB 132, the units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Where the Fund buys back any of its units from unitholders, the consideration paid, including any directly attributable incremental costs are recognised as a reduction in liability attributable to the Fund's unitholders.

(i) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.
Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument. All revenue is stated net of the amount of Goods and Services Tax (GST).

(j) Income tax

Under current legislation, the Fund is not liable for income tax provided its taxable income is fully distributed to unitholders.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Foreign Exchange

Items included in the financial records are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars, which is the presentation currency of the Fund.

NOTE 2: INVESTMENT MANAGER FEES AND PERFORMANCE FEES

	2022
	$
Investment manager fees	4,660
	4,660

In accordance with the Product Disclosure Statement dated 22 December 2021 of the Fund, the Investment Manager is entitled to a fee equivalent to 1.54% per annum (plus GST) of the gross value of the Fund's assets on an ongoing basis, calculated and payable monthly.

Under the Investment Management Agreement, Australia Funds Management Group Pty Ltd (AFMG) is entitled to a Management Fee Entitlement, that is, 'payments of management fees to the Investment Manager in respect of management services provided to the Trustee in respect of the Fund in accordance with the Deed and Disclosure Document'.

The Investment Manager confirms that AFMG agrees to this entitlement (which is currently 1.5% p.a.) and instead credit this towards the other expenses of the fund, until further notice. The Investment Manager agrees that AFMG will not be reimbursed or refunded at a later date for any waived Management Fee Entitlements, and also agrees that any expenses that are paid by the Fund which AFMG decides to reimburse will not be reimbursed or refunded to AFMG at a later date.

The Investment Manager is also entitled to a performance fee of 20% of returns in excess of a Hurdle Rate of 10% per annum, plus GST, and subject to the previous High Watermark.

NOTE 3: RESPONSIBLE ENTITY AND ADMINISTRATION FEES

	2022
	$
Responsible Entity fees	50,000
Administration fees	6,613
	56,613

In accordance with the Product Disclosure Statement, Vasco Responsible Entity Services Limited as the Responsible Entity is entitled to a fee of 0.31% per annum of the gross asset value of the Fund's assets (plus GST) subjected to a minimum fee of $60,000 per annum, this fee is accrued and payable monthly in arrears by the Fund.

Vasco Fund Services Pty Limited as the Administration Manager of the Fund is entitled to an annual administration fee of $20,900 (plus GST) from 2 March 2022. The administration fee will increase by 5% on 1 January of each year.

NOTE 4: CUSTODIAN FEES

	2022
	$
Custodian fees	5,833
	5,833

In accordance with the Custodian Agreement, Perpetual Corporate Trust Limited as the custodian is entitled to 0.025% of the Gross Asset Value or a minimum annual fee of $17,500 (plus GST) calculated monthly and payable quarterly in arrears, subject to a CPI increase applied quarterly.

NOTE 5: REMUNERATION OF AUDITORS

The financial and compliance auditor of the Fund for the financial period ending 30 June 2022 was Grant Thornton Audit Pty Ltd.

The fees paid or agreed to be paid by the Fund are disclosed below.

	2022
	$
Remuneration of Auditors:	
Financial report audit	10,000
Compliance plan Audit	2,000
	12,000

NOTE 6: OTHER EXPENSES

	2022
	$
Tax return fees	2,850
Account holding expenses	1,148
Other admin fees	439
ASIC annual fees	1,400
Regulatory recovery fee	2,020
Bank expenses	2
GST expense (non-claimable)	3,665
	11,524

NOTE 7: CASH AND CASH EQUIVALENTS

(a) Cash at Bank

	2022
	$
Commonwealth Bank	52,958
	52,958

Cash on deposit is held by the Custodian (Perpetual Corporate Trust Limited) with Commonwealth Bank.

(b) Investments Receivable

	2022
	$
Unitholder capital	1
GCPF Ltd shares application	581,273
UGC Global Alpha Fund application	200,000
UGC Platinum Alpha Fund application	350,000
Closing balance	**1,131,274**

Funds have been expended for these investments and units were issued post June 30 2022.

NOTE 7: CASH AND CASH EQUIVALENTS (continued)

(c) RITC receivable

	2022 $
RITC receivable	5,031
	5,031

NOTE 8: REIMBURSEMENT FROM INVESTMENT MANAGER

	2022 $
Reimbursement from Investment Manager	11,870
	11,870

The Investment Manager has agreed to waive their Management Fee Entitlement (which is currently 1.5% p.a.) and instead credit this towards the other expenses of the Fund, until further notice. The Investment Manager agrees that they will not be reimbursed or refunded at a later date for any waived Management Fee Entitlements, and also agrees that any expenses that are paid by the Fund which the Investment Manager decides to reimburse will not be reimbursed or refunded to the Investment Manager at a later date.

NOTE 9: INVESTMENT ASSETS

	2022 $
UGC Global Platinum Fund units	364,500
UGC Global Alpha Fund units	255,705
	620,205

The Fund invests in unlisted unit trusts which are not quoted in an active market and which may be subject to restrictions on redemptions. The Fund considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing. Investments in unlisted unit trusts are classified as level 2 assets in the fair value hierarchy. Level 2 fair values utilise inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly.

Valuation inputs for Level 2 investments

The fair value of investments in unlisted unit trusts are recorded at the net asset value per unit as reported by the investment managers of such funds.

NOTE 10: FEES PAYABLE

	2022 $
Custodian fees payable	5,833
Tax return fees payable	2,850
Financial audit fees payable	10,000
Compliance audit fees payable	2,000
ASIC annual fees payable	1,400
Regulatory recovery fees payable	1,020
	23,103

NOTE 11: OTHER EXPENSES PAYABLE

	2022 $
Other accrued fees payable	2,776
	2,776

NOTE 12: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units in $

	2022 Units	2022 $
Opening balance	-	-
Redemptions	-	-
Units issued – applications	1,817,468	1,817,468
Units issued – reinvestment of distributions	-	-
Closing balance	**1,817,468**	**1,817,468**

As stipulated in the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund. For distributions that have reinvested during the period, units have been rounded to the nearest whole unit in accordance with the Responsible Entity's Unit Pricing Policy.

(b) Undistributed profit/(loss) attributable to unitholders

	2022 $
Opening balance	-
Net operating (loss) attributable to unitholders	(4,714)
UGC Global Platinum Fund units revaluation loss	(10,500)
UGC Global Alpha Fund units revaluation loss	(6,795)
Closing balance	**(22,009)**

Withholding taxes applicable to the distributions payable during the financial period were nil. Total distributions payable for the financial period were nil.

NOTE 13: NET CASH PROVIDED BY OPERATING ACTIVITIES

Reconciliation of cash flows from operating activities with profit/ (loss) for the period.

	2022 $
Gain / (Loss) for the period	(4,714)
Changes in assets and liabilities:	
(Increase) in receivables	(16,901)
Increase/(decrease) in payables	25,879
Cash flows from operating activities	**4,264**

NOTE 14: RELATED PARTY TRANSACTIONS

The Fund's related parties include those described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(a) Responsible Entity

Vasco Responsible Entity Services Limited is the Responsible Entity of Pivotal Diversified Fund.

Fees of $50,000 have been paid by the Fund to Vasco Responsible Entity Limited for its role as Responsible Entity, of which $2,750 is claimable as RITC.

(b) Investment Manager

The Investment Manager of the Pivotal Diversified Fund is Australian Funds Management Group Pty Ltd.

Fees of $4,660, (plus GST) were accrued and paid by the Fund to Australian Funds Management Group Pty Ltd for its role as Investment Manager for the period, of which $350 is claimable by the Fund as RITC.
There were no performance fees payable by the Fund to Australian Funds Management Group Pty Ltd for its role as Investment Manager for the period.
Under the Investment Management Agreement, Australia Funds Management Group Pty Ltd (AFMG) is entitled to a Management Fee Entitlement, that is, 'payments of management fees to the Investment Manager in respect of management services provided to the Trustee in respect of the Fund in accordance with the Deed and Disclosure Document'.
The Investment Manager confirms that AFMG agrees to waive their Management Fee Entitlement (which is currently 1.5% p.a.) and instead credit this towards the other expenses of the fund, until further notice. The Investment Manager agrees that AFMG will not be reimbursed or refunded at a later date for any waived Management Fee Entitlements, and also agrees that any expenses that are paid by the Fund which AFMG decides to reimburse will not be reimbursed or refunded to AFMG at a later date.
At 30 June 2022, the Investment Manager and their related parties held no units in the Fund.

(c) Administration Manager

The Administration Manager of the Pivotal Diversified Fund is Vasco Fund Services Pty Limited.

Administration fees of $6,613 (plus GST) were accrued and paid by the Fund to Vasco Fund Services Pty Limited for its role as Administration Manager of the Fund, of which $496 is claimable by the Fund as RITC.
Vasco Fund Services Pty Limited is a related party of the Responsible Entity.

(d) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated the Responsible Entity, Vasco Responsible Entity Services Limited, and an Investment Manager, Australia Funds Management Group Pty Ltd, to manage the activities of the Fund. The Directors of the Responsible Entity and Investment Manager are key management personnel of those corporate entities. No compensation is paid directly by the Fund to Directors or to any of the key management personnel of the Responsible Entity or Investment Manager. Payments made by the Fund to the Responsible Entity and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

NOTE 15: CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the period.

NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

No other matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years other than as disclosed in this report.
As at the date of this report, there have been no other events subsequent to the reporting date that require additional disclosure.

NOTE 17: FINANCIAL RISK MANAGEMENT

(a) Liquidity risk

There is a risk that some underlying investments of Fund may not be able to be sold without incurring large transaction costs or quickly enough to prevent or minimise loss. That said, the underlying investments of the Fund are predominately invested in highly liquid Australian and international listed or over-the-counter financial market instruments.

The Fund reserves its right to reject any withdrawal requests at its absolute discretion. Investors should be aware that there could be large discrepancies in the value of their investment at the time of requesting a withdrawal and the amount they ultimate receive from the Fund for the Units as a result of market fluctuations between the time of applying for a withdrawal and the withdrawal being processed.

(b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Fund. The Fund is exposed to this risk for various financial instruments, for example, placing money at financial institutions or interest revenue that is paid in arrears. The Fund's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date.

The Responsible Entity manages the exposure to credit risk on an ongoing basis. The Fund's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

(c) Leveraging risk

Leveraging (or gearing) may involve the use of borrowed money or derivatives to increase the investment amount. Leverage magnifies exposure to potential gains and losses of an investment. As a result, Investors can expect larger fluctuations in the value of an investment in the Fund compared to the same investment which is not leveraged. When asset values are rising by more than the costs of the leverage, the returns will generally be higher than if the investment was not leveraged. When asset values are falling, leveraging can multiply the capital loss. If the fall is dramatic there can be even more implications for leveraged investments. For example, where money is borrowed and the lender requires the leverage level to be maintained below a predetermined limit (margin). Where asset values fall dramatically, the leverage level may rise above the margin, forcing assets to be sold by the margin provider when values may be continuing to fall. In turn, this could lead to more assets having to be sold and more losses realised.

Withdrawals (and applications) may be suspended in such circumstances, preventing Investors from accessing their investments at a time when values continue to fall. The is also a risk that if the margin provider is unable to sell positions quickly enough to cover the margin gap, the Fund will effectively become insolvent – the Fund will attempt to manage this insolvency risks by seeking a further indemnity from the Investment Manager in order to cover this gap where the assets of Fund are not sufficient to do so. While this is an extreme example, significant market falls have occurred in the past. Other circumstances (such as the lender requiring the loan to be repaid for other reasons) may also prevent a leveraged investment from being managed as planned, leading to loss.

NOTE 17: FINANCIAL RISK MANAGEMENT (continued)

(d) Foreign exchange risk

The Fund trades in domestic and offshore markets and is managed from the perspective of an Australian investor base. The Fund is expected to hold a substantial proportion of its assets offshore and in non-AUD denominated assets. The Fund is therefore exposed to the risk of exchange rate movements.

(e) Market risk

The Fund is exposed to market risk through its use of financial instruments and specifically to interest rate risk and property value risk, which results from both its operating and investing activities. Market risk is the risk that changes in market prices which will affect the Fund's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is monitored by the Investment Manager.

(f) Short selling risk

The key risk of short selling is that, if the price of the asset increases, the Fund must pay a greater amount to buy back the security and the potential loss could be significant. Other risks include, the lender of the security (in the case of individual equities) may request its return which may result in the Fund having to liquidate at a loss and not at a time of the Fund's choosing; if the broker is declared insolvent before the security borrowed by the Fund is repaid, the Fund may be unable to recover the equivalent collateral posted with the broker. This may result in loss to the Fund, and in turn the Investors.

The Fund may short sell to generate returns in declining securities/markets, to provide a hedge to a long security or market exposure, and to increase return potential using leverage. Being able to short sell means that the Fund's total (gross) equity market exposure may exceed 100% of the Fund's NAV. This means the impact of the Investment Managers investment decisions, along with the potential for profit or loss, is greater than tradition long only funds. The Investment Manager intends managing the risks associated leveraging the Fund's investments through the use of the risk management trading tools such as trailing stops and hedging.

(g) Interest rate risk

The Fund's interest rate risk is monitored by the Investment Manager. Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

(h) Derivatives risk

Derivatives are contracts that have a value derived from another source such as an asset, market index or interest rate. There are many types of derivatives including swaps, options and futures. They are a common tool used to manage risk or improve returns. Some derivatives allow the investment managers to earn large returns from small movements in the underlying asset's price. However, they can lose large amounts if the price movement in the underlying asset is unfavourable. Risks particular to derivatives include the risk that the value of the derivative may not move in line with the underlying asset and the risk that a particular derivative may be difficult or costly to trade.

NOTE 18: RESPONSIBLE ENTITY DETAILS

The registered office and the principal place of business of the Responsible Entity are:

Vasco Responsible Entities Services Limited

Level 4

99 William Street

Melbourne Victoria 3000

PIVOTAL DIVERSIFIED FUND
ARSN 653 359 445

DIRECTORS' DECLARATION

In the opinion of the Directors of Vasco Responsible Entity Limited:

(a) The financial statements and notes of Pivotal Diversified Fund are in accordance with the *Corporations Act 2001,* including

  (i) Complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting obligations; and

  (ii) Giving a true and fair view of its financial position as at 30 June 2022 and its performance for the financial period ended on that date;

(b) There are reasonable grounds to believe that Pivotal Diversified Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Craig Dunstan

Craig Dunstan

Director

26 October 2022

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Independent Auditor's Report

To the Members of Vasco Responsible Entity Services Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Pivotal Diversified Fund (the Fund), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its performance for the period ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Fund's financial report for the period ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 26 October 2022